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C O N F I D E N T I A L SECTION 01 OF 03 KYIV 000973

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TAGS: [OVIP](#) [PREL](#) [PGOV](#) [ETRD](#) [US](#) [UP](#)  
SUBJECT: UKRAINE: YATSENYUK'S FIRST VISIT TO WASHINGTON AS  
FOREIGN MINISTER - SCENESETTER

REF: KYIV 924

Classified By: DCM Sheila Gwaltney for reasons 1.4 (b,d).

11. (C) Summary: Arseniy Yatsenyuk is familiar with Washington as a former Economics Minister and acting and deputy head of the Ukrainian National Bank, but his visit at the end of April will be his first opportunity to discuss the full range of foreign policy issues. With respect to the bilateral relationship, Yatsenyuk will probably push for a firmer signal on the timing of a U.S. presidential visit and bring with him the draft of a "roadmap" on the way forward in U.S.-Ukraine cooperative activity. He will want to discuss the outlook for Ukraine's membership in WTO with appropriate Washington interlocutors. For our part, we can urge Ukraine to maintain the right approach in its relations with Russia and Belarus and to exercise leadership in resolving the issue of Moldova's break-away Transnistria region. Yatsenyuk's visit comes during an ongoing political crisis in Ukraine that at least temporarily complicates movement toward his goals of advancing Ukraine's economic integration with the world economy and strengthening his country's relations with partners in NATO and the European Union. End summary.

12. (C) Message/themes for the visit:

-- We welcome the consistent messages from the President and Prime Minister that Ukraine will stay the course with respect to its European and Euro-Atlantic aspirations. We hope Ukraine will also continue to exercise the strong regional leadership started under your predecessor.

-- The current political crisis is an internal affair for Ukrainians to resolve and we will not take sides, but we urge you to find a democratic and peaceful solution that adheres to Ukraine's laws and constitution. A state of prolonged political uncertainty also endangers prospects for achieving goals important to both the U.S. and Ukraine.

-- The USG's negotiators are working hard to move Ukraine's WTO accession forward quickly. The Rada will need to make a select number of legislative changes to implement existing commitments by Ukraine to its WTO partners.

-- We share Ukraine's interest in highlighting energy security and would welcome expanded dialogue. The GOU needs to do its part by focusing on energy efficiency and opening its domestic oil and gas sector to international expertise.

-- We are excited about the possibilities for cooperation through the Millennium Challenge Corporation (MCC). For the MCC compact, the next step is for the GOU to fund its technical team. The anti-corruption Threshold program is underway, but needs GOU attention to ensure implementation.

A Young, but Experienced, Compromise Candidate

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13. (C) President Yushchenko nominated Yatsenyuk after the Verkhovna Rada (parliament) repeatedly rejected the president's first choice for foreign minister, and Yatsenyuk was confirmed March 21 by a vote of 426 votes in favor (with 432 MPs present out of the Rada's complement of 450). Yatsenyuk ascribed the successful vote (reftel) to his acceptability to both camps (Presidential and Prime Ministerial), but subsequently clearly showed his loyalty to Yushchenko. Yatsenyuk demonstrated his priorities when he elected to make his first trip abroad to Brussels, rather than to Moscow as was traditional. After his April 16 visit to Moscow, Yatsenyuk will complete the round of visits to Ukraine's most significant partners with his visit to Washington. The visit will be an introductory one for him, but he is ready to discuss the full range of issues on the U.S.-Ukraine agenda.

14. (C) Yatsenyuk's deep experience in economic issues inclines him to stress economic objectives, but, as foreign minister, he is committed to advancing Ukraine's relations with the EU and NATO. With respect to the EU, Yatsenyuk is edgy over the possibility that Ukraine might not join the WTO this year, leading to an unacceptable delay in getting started on an EU-Ukraine free trade agreement, the center-piece of the EU-Ukraine "New Enhanced Agreement." He will raise his concerns with appropriate Washington interlocutors. We have reassured him the U.S. continues to work hard to advance the Ukrainian WTO accession, but the political wrangling in Kyiv could at some point theoretically hamper parliament's ability to fix remaining legislation for WTO. On NATO, Yatsenyuk moved quickly to secure a ministerial meeting of the NATO-Ukraine Council at Oslo and is pushing for the North Atlantic Council to visit Ukraine in

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July to mark the 10th anniversary of formal NATO-Ukraine relations.

#### The Political Backdrop

15. (C) Yatsenyuk, who served as former Deputy Head of the Presidential Secretariat before becoming FM, has kept a toe in internal politics and tried to act to some degree as a mediator in the current political crisis, although he does not appear to be in the President's inner circle in this battle. Nonetheless, he will be prepared to discuss the domestic political scene, given Washington's expected interest in the topic, and the possible impact that prolongation of the crisis might have on achievement of Ukraine's foreign policy goals. Following Yushchenko's April 2 decree dissolving the Rada and calling for early parliamentary elections and the Rada and Government's refusal to adhere to the decree, the President and Prime Minister have been conducting almost daily closed-door meetings to work on a political compromise. Such a compromise might include an agreement on early elections at some later, unspecified date; the amendment of laws, such as of the controversial law on the Cabinet of Ministers; further amendment of the constitution; and an agreement to adopt into law a set of national priorities, both in terms of internal and foreign policy.

16. (C) The Constitutional Court has been considering Yushchenko's decree since April 17 at the request of the majority coalition. Yushchenko and Yanukovych have said publicly that they will respect the Court's ruling, and Yatsenyuk told us privately that was the best solution. Accusations from all sides of corruption, pressure, and politicization are reflected in low public confidence in the Court, with opinion polls showing less than 20% believe the Court can issue an independent ruling. The gist of the argument is whether the movement of more than 20 MPs from the opposition to the majority in March was a violation of the electorate's will and whether the President as guarantor of

the Constitution has the power and right to disband the Rada as a result of this perceived violation. Both sides have turned their supporters onto the streets, in what have been mostly peaceful rallies on the Maidan and around key government buildings. Security, military, and law enforcement structures have been careful to remain professional and outside this fray.

#### The Bilateral Agenda

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¶7. (C) As part of his effort to set a definite policy course at the Ministry, Yatsenyuk hopes to bring a draft of a U.S.-Ukraine "roadmap" with him to Washington, based on our response to President Yushchenko's January letter to President Bush regarding the bilateral relationship, MFA is working hard within the interagency process under a short fuse to get the paper finalized in time for the trip. If it is successful, Yatsenyuk will hand over the roadmap during his Washington meetings with the suggestion that the Bilateral Coordination Group review the roadmap and endorse it. We have not yet seen a copy, but understand that it will cover a broad set of bilateral activities.

¶8. (C) We continue intense engagement with the Ukrainians as their WTO accession moves into the end game. Ukraine's negotiators will meet with USTR during Yatsenyuk's visit and a Working Party meeting will happen in mid-May. Although the accession looks to be on track to be completed late this year, one hitch could be that Ukraine's parliament will need to pass some legislative changes to make their legislation fully consistent with WTO and with the commitments Ukraine made in their March 2006 bilateral agreement with the U.S. Yatsenyuk will likely raise energy security, including a possible U.S.-Ukraine-EU dialogue. Ukraine needs to do much more on its own. While many major industry players are investing heavily in energy efficiency, Ukraine still lags badly in efficiency. After awarding an exploration block in the Black Sea a year ago, the GOU still has not concluded a Production Sharing Agreement with the U.S. firm Vanco, thus sending a weak signal about Ukraine's openness to foreign investment in the energy sector. On MCC, the Threshold program to fight corruption has started implementation. For the eventual compact program, the GOU is assembling its technical team; the current hold-up is the GOU needs to allocate funding for the team from its budget.

¶9. (C) Relations with Russia appear to be in a holding pattern for the moment. Ambassador Chernomyrdin has repeatedly offered to mediate in the current political crisis, but otherwise the Russians have in public held back

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from any involvement. Ukraine saw its price for gas go from \$95/thousand cubic meters (tcm) to \$130/tcm in 2007, and will likely see the price go up to \$180/tcm or more in 2008. Some GOU officials have floated suggestions that they remove the middleman RosUkrEnergo from the gas deal, but there apparently has not yet been any decision by the GOU to pursue this. Ukraine has also expressed perfunctory interest in the Russian-led Common Economic Space (CES) trade bloc. However, the GOU is not willing to accept Russia's current terms for the CES, which include a supra-national governing body that the Ukrainians feel would result in an unacceptable cession of national sovereignty.

¶10. (C) Yatsenyuk will reiterate continuing Ukrainian interest in hosting a visit of President Bush to Kyiv and urge the Secretary also to consider making a second visit.

#### Ukraine's Regional Role

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¶11. While the current political crisis has distracted MFA and caused Ukraine to be less diplomatically active recently, we can use this visit to make our expectations clear to

Yatsenyuk.

-- On Transnistria, we welcome Ukraine's renewed commitment to the "5-plus-2" negotiating framework to move Moldova and Transnistria toward fulfillment of the "Yushchenko Plan."

-- On Belarus, although we have heard less of late regarding a possible Lukashenko-Yushchenko summit meeting in Kyiv, we should reiterate that such a meeting serves to legitimize Lukashenko while providing little benefit to Ukraine and drawing the opprobrium of the international community. The Ukrainians continue to argue that they will only agree to such a meeting if the Belarusians agree to make progress on several outstanding border issues, including Ukrainian access to the Chernobyl site through Belarusian territory.

-- On the regional GUAM (for its members, Georgia, Ukraine, Azerbaijan, and Moldova), we welcome Ukraine's continuing support for the organization and look forward to the Ukrainian parliament's ratification of the GUAM charter.

112. (U) Visit Embassy Kyiv's classified website:  
[www.state.gov.gov/p/eur/kiev](http://www.state.gov.gov/p/eur/kiev).  
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